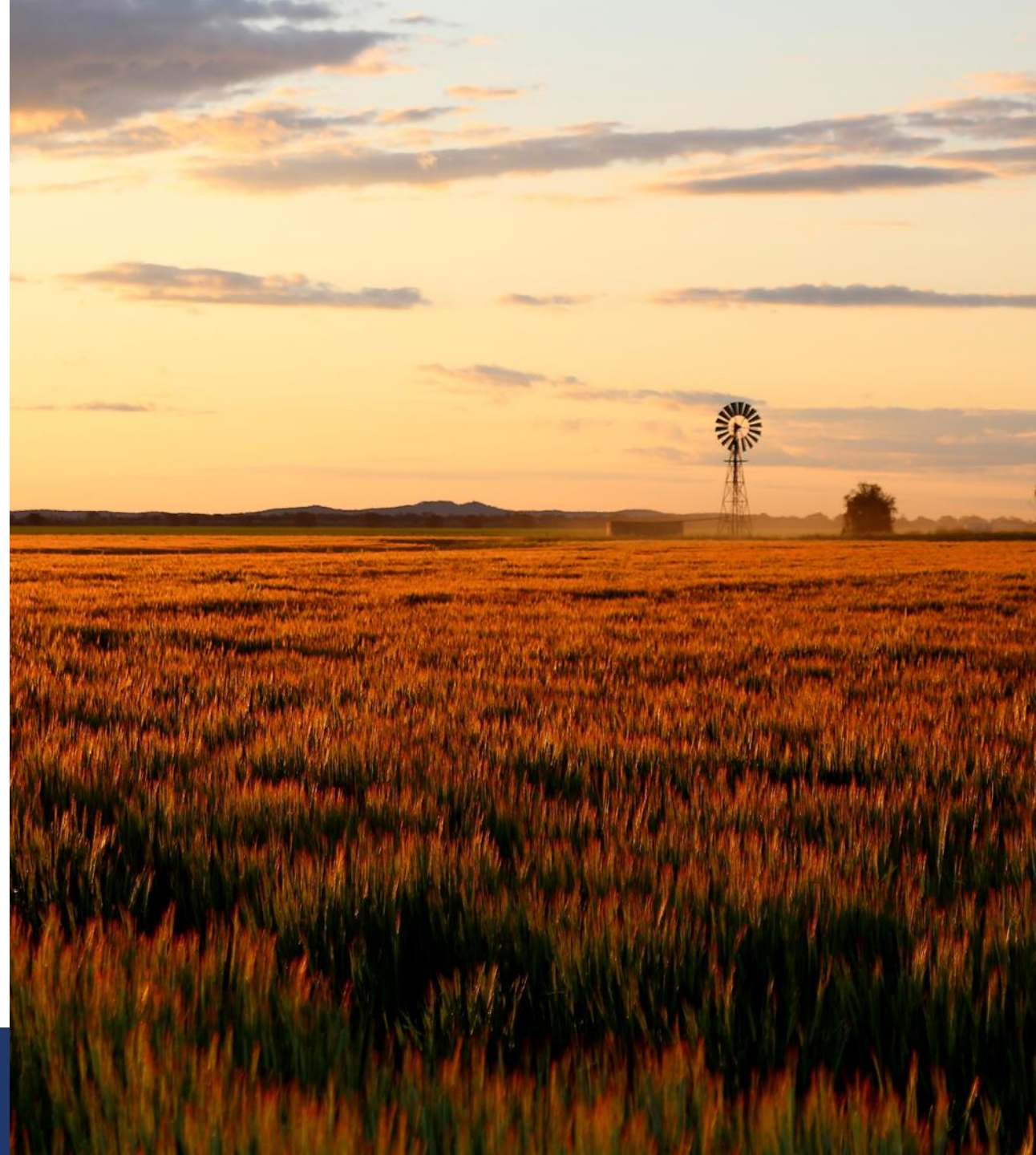




Duxton Farms Investment Update



Duxton Farms Overview

AUSTRALIA’S ONLY PUBLICLY LISTED MIXED FARMING ENTERPRISE

Duxton Farms Ltd (“Duxton Farms” / “Company”) invests in and operates a portfolio of efficient, high-quality Australian agricultural assets, producing a wide range of commodities.

Duxton Farms was listed in February 2018, and was previously known as *Duxton Broadacre Farms Ltd*, having recently changed its name to reflect the expansion of the Company’s core business activities.

The Company’s core portfolio consists of eight properties spanning 22,882 hectares in the Central West of New South Wales, and includes land developed to dryland cropping, irrigated cropping, and livestock management.

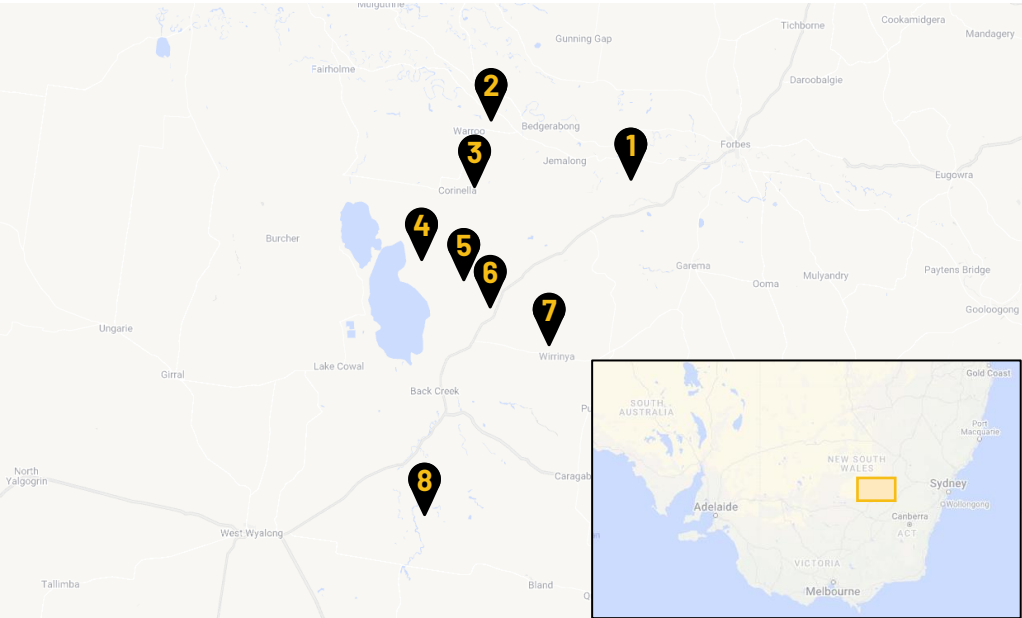
The Company has a focus on implementing best-in-class sustainable cropping practices, including crop rotation, laser-levelled irrigation and minimum-till farming. This helps Duxton Farms ensure sustainable long-term production, and allows the Company to adapt to and mitigate changing climatic conditions.

The key commodities produced by Duxton Farms have traditionally included:

- Wheat
- Barley
- Canola
- Cotton
- Livestock

Duxton Farms has 3,153 hectares of land developed to irrigation, which is supported by a significant portfolio of surface water and groundwater entitlements.

Although the Company has been gradually expanding in the Central West of New South Wales, it has been seeking opportunities to diversify its geographic footprint and mix of commodities produced in order to reduce earnings volatility and provide investors with a broader exposure to the Australian agricultural sector.



#	Property	Size (ha)	Irrigable Capacity (ha)
1	Walla Wallah	1,400	939
2	Cowaribin	940	281
3	Merriment	535	367
4	Yarranlea	2,184	367
5	West Plains	2,709	450
6	Lenborough	768	189
7	Kentucky	5,914	–
8	Timberscombe	8,432	560
Total		22,882	3,153



Duxton Farms' Investment in Duxton Bees

A FIRST STEP OUTSIDE OF TRADITIONAL MIXED FARMING

What is the investment?

Duxton Farms is pleased to announce an investment in Duxton Bees Pty Ltd ("Duxton Bees"), which is an Australian apiary business also managed by Duxton Capital (Australia) Pty Ltd. Duxton Farms will invest \$1,750,000 in Duxton Bees at \$0.85 per share (equal to ~2 million shares), which will give the former a significant minority interest in the latter.

What is Duxton Bees?

Established in May 2020, Duxton Bees is an Australian honey producer and pollination services provider in the nascent stages of its development. For its size, the Australian beekeeping industry is quite fragmented, with a large portion of the market composed of hobbyists, sole operators or small businesses. Duxton Bees believes there is a significant opportunity to establish itself as the market leader in consolidating the industry on a commercial scale.

Duxton Bees' largest revenue stream is honey production. Australia is a significant honey producer, but there are few commercial operations in the country compared with peers such as New Zealand, which has a comparatively mature apiary segment. The demand for honey, particularly premium honey, is rising globally and is expected to reach over \$16.5bn by 2030. This is being driven primarily by product premiumisation and increased health-consciousness amongst consumers, which is in turn a result of rising global incomes; this latter point is one of the two fundamental factors driving demand for agricultural staples, and is central to the wider investment thesis of Duxton Farms.

Beekeeping is incredibly important for the country's agricultural output, as billions of dollars' worth of produce is reliant on pollinators such as bees to some extent. Australian agriculture is experiencing a shift towards high-value horticultural crops such as almonds, macadamias, avocados, citrus and apples, which are pollinated by insects or animals. As a result, farmers who require a reliable supply of healthy, productive pollinators engage with pollination services providers to have hives stored on their property. As this process is important to honey production, Duxton Bees effectively gains a secondary, complementary revenue stream by leveraging the growth of Australian horticulture.

Why is Duxton Farms investing in an apiary business?

The Board of Duxton Farms has been looking for opportunities to expand and diversify outside of its traditional mix of dryland cropping, irrigated cropping, and livestock management. These activities will continue to form the core of the Duxton Farms' business, but the Company will seek to gain exposure to other segments of the Australian agricultural sector in order to reduce volatility in the Company's earnings profile. An investment in Duxton Bees has been considered for the following reasons:

- Apiary is a segment within Australian agriculture that has historically been undercapitalised, which presents significant growth and consolidation opportunities;
- The apiary business has very different inputs and profitability drivers to traditional mixed farming, providing instant diversification;
- There are substantial environmental benefits to beekeeping which align with Duxton Farms' ESG objectives. Beekeeping done well has been shown to enrich the local ecology around the hive, and a network of scientifically managed beehives gives valuable data, insights and scale;
- Duxton Farms and apiary have complementary business activities, as the former grows crops such as canola which may benefit from insect pollination, and the latter requires partners who can host beehives;
- The investment is not substantial relative to the size of the Company overall; and,
- The investment does not require the creation of a separate business unit or operations team.



Duxton Farms' Investment in Duxton Bees

A FIRST STEP OUTSIDE OF TRADITIONAL MIXED FARMING

What are the key operational risks?

The beekeeping industry does have several risks associated with it, as it can be difficult to maintain productivity while ensuring that hives are free of physical damage, stress and disease. Key operational risks for the business include American Foulbrood Disease, Chalkbrood Disease, extreme heat, extreme rain events, and fire.

Duxton Bees maintains a highly skilled operations team, with key personnel having worked in more mature, commercial markets such as New Zealand and South Africa. The Team have a wealth of experience managing apiary businesses on a significant scale, and are exceptionally well-equipped to navigate the opportunities and risks associated with the industry.

What are the key drivers of profitability for Duxton Bees?

Duxton Bees intends to focus on five key areas to drive its growth as a business, which will constitute the primary uses of capital from the proceeds of its ongoing raise:

- Implementing standardised best-in-class hive infrastructure;
- Creating a dedicated fit-for-purpose vehicle fleet;
- Increasing the size of the Operations Team,;
- Increasing access to high-quality productive land for pollination; and
- Improving honey extraction efficiency across the portfolio.

Duxton Bees is best thought of as a start-up within the agricultural sector, with significant growth opportunities which can be capitalised upon with careful management and execution. Duxton Bees aims to scale rapidly from around 1,500 hives currently to around 8,000 hives by the end of June 2024, which will create significant operational scale and a stable positive cashflow which is uncorrelated to Duxton Farms' other activities.

Why is Duxton Farms investing in Duxton Bees specifically?

The beekeeping industry is highly fragmented, and there are very few actors in the market who are willing and able to participate in a transaction of this nature. Duxton Bees is a sophisticated corporate entity which is currently raising capital, presenting a rare opportunity to invest in an underdeveloped and highly specialised subsector within Australian agriculture without forming a dedicated business unit and bringing the associated expertise inhouse.

Furthermore, Duxton Bees and Duxton Farms are managed by the same Investment Manager, meaning that the businesses are familiar with each other, and are managed in a similar way with consistent values.

What does this mean for the future of Duxton Farms?

Duxton Farms will continue operating as an efficient producer of key agricultural staples, and the Company's performance is expected to remain predominantly a function of the core portfolio's seasonal production for the foreseeable future. Over the next few seasons Duxton Farms hopes to continue expanding its livestock and irrigated cropping programmes within the existing portfolio, to create a stronger, more productive mixed farming enterprise overall.

The investment in Duxton Bees is a first step towards creating a stronger, more diversified business, and the Board of Directors will continue to seek opportunities to expand Duxton Farm's exposure to the Australian agricultural sector. The Directors have line of sight over a number of potential projects, and the Company's conservative gearing and supportive shareholder base places Duxton Farms in an excellent position to expand and diversify its business going forward.





Duxton Capital (Australia) Pty Ltd

7 Pomona Road, Stirling SA 5152

+61 8 8130 9500
enquiries@duxtonam.com

This announcement has been authorised for release by the Board of Duxton Farms Ltd

Bridget Johnson (Business Development)

bridget.johnson@duxtonam.com

Sam Venning (Business Development)

sam.venning@duxtonam.com

Melissa Randall

melissa.randall@randallandassociates.com.au

Will Brennan (Portfolio Manager)

will.brennan@duxtonam.com

duxtonam.com

